

DIRECTORS' REVIEW

FOR THE QUARTER & NINE MONTHS ENDED MARCH 31, 2004

Dear Shareholders,

By the Grace of Allah your Company continued its strong performance during this period. Sales for the nine months ended March'04 amounted to Rs. 15.8 billion, an increase of approximately 54% as compared to the same period last year. Net profit after tax increased to Rs. 1.078 billion as compared to Rs. 801 million during the same period last year.

Sales of locally manufactured vehicles increased to 20,182 units (13,547 units for the same period last year) registering a growth of 49%. For the industry as a whole, sales volumes for the first nine months have grown to 78,244 units against 51,109 units in the corresponding period last year representing a growth of 53%. Improved economic conditions, availability of consumer finance at attractive interest rates, stability in Government policies, new makers and new models are all contributing to the enhanced growth of the automobile sector.

We hope this extremely impressive growth which reflects the efforts of your Company and all its suppliers and major stakeholders is noted with satisfaction by the Government. Your Company has already increased production capacity to meet growing demand and future capacity increases are being planned. In order to discourage investors and re-sellers the Company has instructed its dealership network to register vehicles in the name of the customer at the time of delivery. Provincial Governments on their part must ensure strong controls and institute measures to discourage investors from re-selling and transferring vehicles.

Profitability during this period, while continuing to be impressive has been negatively impacted by the exchange rate as the Japanese Yen continues to strengthen sharply. Many of our locally purchased parts have also been impacted by various increases in costs including a very sharp increase in international and local sheet metal prices.

The Ministerial Committee formed to examine the automobile industry met all stakeholders of the Industry on the 12th of April, 2004. We are confident that the Committee and the Government will appreciate the tremendous growth achieved by the Industry in a very short period of time and will continue to maintain policies favorable to local production.

The Directorate of Custom Intelligence & Investigation has examined the CKD consignments of the Company and its vendors. As a result thereof, there are some interpretation issues that the Company is trying to resolve in consultation with Engineering Development Board. In our view, the Company has followed due process and has achieved the deletion targets.

In the end, we thank our loyal customers and acknowledge the extraordinary and concerted efforts made by our entire Indus team, our vendors, and our dealers in producing these impressive results

We pray to Allah for His Blessings and Continued Guidance.

Ali S. Habib
Chairman

Yutaka Arae
Vice Chairman

Mazhar Valjee
Chief Executive Officer

Mazhar Valjee
Chief Executive Officer

Yutaka Arae
Vice Chairman

Mazhar Valjee
Chief Executive Officer

Yutaka Arae
Vice Chairman

Mazhar Valjee
Chief Executive Officer

Yutaka Arae
Vice Chairman

BALANCE SHEET

AS AT MARCH 31, 2004

Note	March 31, 2004 Unaudited	June 30, 2003 Audited
(Rs. in '000)		
ASSETS		
NON-CURRENT ASSETS		
Tangible fixed assets		
Operating fixed assets	4 819,444	988,824
Capital work-in-progress	5 44,939	5,678
	864,383	994,502
Long-term loans	380	160
Long-term deposits	13,135	5,449
CURRENT ASSETS		
Stores and spares	96,097	71,511
Stock-in-trade	6 2,903,726	1,802,270
Trade debts	332,911	518,820
Loans, advances and prepayments	270,338	59,897
Short term investments	7 2,888,715	2,689,021
Other receivables	139,371	152,279
Cash and bank balances	8 6,302,883	4,775,371
	12,934,041	10,069,169
TOTAL ASSETS		
	13,811,939	11,069,280
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Share Capital		
Authorised		
100,000,000 (June 30, 2003: 100,000,000)		
Ordinary shares of Rs. 10 each	1,000,000	1,000,000
Issued, subscribed and paid-up		
78,600,000 (June 30, 2003: 78,600,000)		
Ordinary shares of Rs. 10 each		
fully paid in cash	786,000	786,000
Reserves	2,607,998	1,758,887
	3,393,998	2,544,887
NON-CURRENT LIABILITY		
Deferred taxation	40,487	91,738
Liabilities against assets subject to finance lease	6,502	-
CURRENT LIABILITIES		
Advances from customers and dealers	9 7,517,468	6,758,098
Creditors and accrued liabilities	1,663,766	697,337
Provisions and other liabilities	430,130	353,946
Provision for taxation - net	406,636	220,549
Current maturities of liabilities against assets subject to finance lease	26,490	-
Dividends	326,462	402,725
	10,370,952	8,432,655
CONTINGENCY AND COMMITMENTS		
	13,811,939	11,069,280

The annexed accounting policies and explanatory notes form an integral part of these financial statements.

PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER & NINE MONTHS ENDED MARCH 31, 2004

Note	Nine Months Ended		Quarter Ended	
	March 31, 2004	2003	March 31, 2004	2003
(Rs. in '000)				
NET SALES				
Cost of sales	11 13,884,632	8,919,707	5,142,702	3,500,309
GROSS PROFIT	1,934,118	1,330,377	568,326	581,283
Administrative and selling expenses	11 277,504	209,464	95,764	80,658
Other charges	7,328	8,269	2,972	2,707
	284,832	217,733	98,736	83,365
OPERATING PROFIT	1,649,286	1,112,644	469,590	497,918
OTHER INCOME	12 175,407	309,453	54,198	179,244
	1,824,693	1,422,097	523,788	677,162
Financial charges	13 43,692	71,451	22,542	18,701
Workers' Profit Participation Fund	89,060	67,532	25,072	32,923
Workers' Welfare Fund	34,126	26,323	9,425	12,707
	166,878	165,306	57,039	64,331
PROFIT BEFORE TAXATION	1,657,815	1,256,791	466,749	612,831
Taxation	14 579,168	455,700	166,338	229,107
NET PROFIT FOR THE PERIOD	1,078,647	801,091	300,411	383,724
Unappropriated profit brought forward	61	147	463,897	260,314
PROFIT AVAILABLE FOR APPROPRIATION	1,078,708	801,238	764,308	644,038
APPROPRIATION				
Transfer to general reserves	-	-	-	-
Interim Dividend @ 40% (Rs. 4.00 per share)	314,400	157,200	-	-
[2002 @ 20% Rs. 2.00 per share]	314,400	157,200	-	-
	764,308	644,038	764,308	644,038
UNAPPROPRIATED PROFIT CARRIED FORWARD				
(Rupees)				
BASIC EARNINGS PER SHARE	13.72	10.19	3.82	4.88

The annexed accounting policies and explanatory notes form an integral part of these financial statements.

Mazhar Valjee
Chief Executive Officer

Yutaka Arae
Vice Chairman

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR NINE MONTHS ENDED MARCH 31, 2004

	Share Capital	Reserves				Sub-total	Total
		Capital Reserve	Revenue Reserves	Unrealised Gain/(Loss) on hedging instruments			
(Rupees in '000)							
Balance as at June 30, 2002	786,000	196,500	856,500	147	14,767	1,067,914	1,853,914
Net gain on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	(14,767)	(14,767)	(14,767)
Net profit for the period	-	-	-	801,091	-	801,091	801,091
Net unrealised loss on remeasurement of forward foreign exchange contracts	-	-	-	-	1,278	1,278	1,278
Interim dividend @ 20%	-	-	-	(157,200)	-	(157,200)	(157,200)
Balance as at Mar. 31, 2003	<u>786,000</u>	<u>196,500</u>	<u>856,500</u>	<u>644,038</u>	<u>1,278</u>	<u>1,698,316</u>	<u>2,484,316</u>
Balance as at June 30, 2003	786,000	196,500	1,564,000	61	(1,674)	1,758,887	2,544,887
Net Loss on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	1,674	1,674	1,674
Net profit for the period	-	-	-	1,078,647	-	1,078,647	1,078,647
Net unrealised gain on remeasurement of forward foreign exchange contracts	-	-	-	-	83,190	83,190	83,190
Interim dividend @ 40%	-	-	-	(314,400)	-	(314,400)	(314,400)
Balance as at Mar. 31, 2004	<u>786,000</u>	<u>196,500</u>	<u>1,564,000</u>	<u>764,308</u>	<u>83,190</u>	<u>2,607,998</u>	<u>3,393,998</u>

CASH FLOW STATEMENT (UNAUDITED)

FOR NINE MONTHS ENDED MARCH 31, 2004

	Nine Months Ended	
	March 31, 2004	March 31, 2003
(Rs. in '000)		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,657,815	1,256,791
Adjustment for non-cash charges and other items		
Depreciation	204,437	172,130
Gain on sale of fixed assets	(1,336)	(3,262)
Mark-up on short term investment and bank deposits	(134,300)	(193,855)
Mark-up on advances from customers	26,672	71,451
	95,473	46,464
Operating surplus before working capital changes	1,753,288	1,303,255
Movement in working capital : (Increase)/Decrease in current assets		
Stores and spares	(24,586)	(1,120)
Stock-in-trade	(1,101,456)	(96,360)
Trade debts	185,909	(61,426)
Loans, advances and prepayments	(210,441)	(68,370)
Other receivables	122,458	921
	(1,028,116)	(226,355)
Increase in current liabilities		
Advances from customers and dealers	759,370	4,093,636
Creditors and accrued liabilities	948,805	12,379
Provisions and other liabilities	79,291	235,347
	1,787,466	4,341,362
Cash generated from operations	2,512,638	5,418,262
Mark-up paid	(32,154)	-
Mark-up received	163,931	(64,281)
Income tax paid	(444,332)	(199,590)
Long term deposits	(7,686)	(115)
Long term loans - net	(220)	82
	(320,461)	(263,904)
Net cash inflow from operating activities	2,192,177	5,154,358
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(82,736)	(79,335)
Sale proceeds of fixed assets	9,754	9,867
Short term investments in Term Deposit		
Receipts (TDRs)	(3,384,012)	(960,696)
TDRs matured	3,150,000	-
Net cash used in investing activities	(306,994)	(1,030,164)
CASH FLOW FROM FINANCING ACTIVITIES		
Lease financing	32,992	-
Dividends paid	(390,663)	(155,636)
Net cash used in financing activities	(357,671)	(155,636)
Net increase in cash and cash equivalents	1,527,512	3,968,558
Cash and cash equivalents at the beginning of the year	4,775,371	1,924,767
Cash and cash equivalents at the end of the period	6,302,883	5,893,325

The annexed accounting policies and explanatory notes form an integral part of these financial statements.

Mazhar Valjee
Chief Executive Officer

Yutaka Arae
Vice Chairman

Mazhar Valjee
Chief Executive Officer

Yutaka Arae
Vice Chairman

NOTES TO THE ACCOUNTS (UNAUDITED)

FOR NINE MONTHS ENDED MARCH 31, 2004

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan as a public limited company in December, 1989 and started commercial production in May, 1993. The shares of the company are quoted on all the stock exchanges in Pakistan. The registered office of the company is situated at 14, Bangalore Town Housing Society, Main Shahrah-e-Faisal, Karachi, Pakistan.

The company was formed in accordance with the terms of a Joint Venture agreement concluded amongst the House of Habib, Toyota Motor Corporation and Toyota Tsusho Corporation for the purposes of assembling, progressive manufacturing and marketing of the Toyota vehicles. The company also acts as the sole distributor of the Toyota vehicles in Pakistan.

The company is also a sole-distributor of Daihatsu vehicles in Pakistan and have a license of progressive assembling and manufacturing of these vehicles in Pakistan.

2. BASIS OF PREPARATION

These financial statements are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", as applicable in Pakistan.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of these nine months financial statements are same as those published in the annual financial statements for the year ended June 30, 2003 other than addition of policy on leased assets which is enumerated as under:

The company accounts for finance lease by recording the assets and the corresponding liabilities there against. The amount capitalized is determined on the basis of discounted value of total minimum lease payments. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on assets subject to finance lease is provided in the same manner as owned fixed assets.

	Nine Months Ended March 31, 2004	Year Ended June 30, 2003
(Rs. in '000)		
Owned:		
Buildings on leasehold land		
Factory	1,324	14,202
Others	415	1,738
Plant and machinery	-	16,905
Motor vehicles	833	35,948
Furniture and fixtures	653	3,382
Office equipment	2,136	7,352
Computers & related accessories	4,875	3,553
Tools and equipment	248	19,139
	10,484	102,219

4. OPERATING FIXED ASSETS

4.1 Details of additions during the period are as follows:

	Nine Months Ended March 31, 2004	Year Ended June 30, 2003
(Rs. in '000)		
Owned:		
Buildings on leasehold land		
Factory	1,324	14,202
Others	415	1,738
Plant and machinery	-	16,905
Motor vehicles	833	35,948
Furniture and fixtures	653	3,382
Office equipment	2,136	7,352
Computers & related accessories	4,875	3,553
Tools and equipment	248	19,139
	10,484	102,219

Leased:

Plant and machinery	25,686	-
Motor vehicles	3,570	-
Computers & related accessories	3,062	-
Tools and equipment	156	-
Jigs and fixture	518	-
	32,992	-
	43,476	102,219

4.2 Details of disposals / retirements (cost) during the period are as follows:

Motor vehicles	13,805	16,777
Computers & related accessories	-	663
	13,805	17,440

4.3 Change in accounting estimate

During the current period, the company has carried out an exercise to review the useful life of its depreciable assets. This review was necessitated due to production enhancement. Accordingly, the rate of depreciation has been revised in case of certain machinery.

Had the company not made revision in the rates, as disclosed above, depreciation for the nine months would have been lower by Rs. 27.14 million (for the quarter Rs. 9.048 million), resulting in an increase in net income for the nine months by the same amount.

	Nine Months Ended	Year Ended
	March 31, 2004	June 30, 2003
	(Rs. in '000)	
	44,939	5,678

5. CAPITAL WORK-IN-PROGRESS

Building - Factory	1,475	-
Office equipment	792	164
Plant and machinery	41,799	-
Tools and equipment	873	5,514
	44,939	5,678

6. STOCK-IN-TRADE

Manufacturing	1,712,850	925,895
Trading	212,234	121,109
Stock in transit	978,642	755,266
	2,903,726	1,802,270

7. SHORT TERM INVESTMENTS - Held to maturity

Term deposits receipts (TDRs) issued by the banks	2,856,703	2,689,021
Musharika investment	32,012	-
	2,888,715	2,689,021

8. CASH AND BANK BALANCES

Cash in hand	404	802
At banks in:		
- Current accounts	27,126	230,658
- Deposit accounts	6,275,353	4,543,911
	6,302,479	4,774,569
	6,302,883	4,775,371

9. CREDITORS AND ACCRUED LIABILITIES

Associated undertakings	947,058	453,768
Other trade creditors	544,672	95,040
Accrued liabilities	172,036	148,529
	1,663,766	697,337

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

The status of the contingencies, as disclosed in note 21 to the annual financial statements, has remained unchanged except for the reopening of assessment for the year 1991-1992 which has now been decided in the company's favour by the Honourable High Court of Sindh.

Contingencies in respect of outstanding bank guarantees at the end of the current period amounted to Rs. 204.599 (June 30, 2003: Rs. 196.829) million.

10.2 Commitments

Commitments in respect of capital expenditure at the end of the current period amounted to Rs. 100.692 (June 30, 2003: Rs. 47.294) million.

11. OPERATING RESULTS

Note	Manufacturing		Trading		Total	
	Nine Months Ended		Nine Months Ended		Nine Months Ended	
	March 31, 2004	2003	March 31, 2004	2003	March 31, 2004	2003
	(Rupees in '000)					
Sales	15,425,369	10,020,396	864,787	539,963	16,290,156	10,560,359
Commission	454,901	302,397	8,404	4,910	463,305	307,307
Discounts	390	154	7,711	2,814	8,101	2,968
Net sales	14,970,078	9,717,845	848,672	532,239	15,818,750	10,250,084
Cost of sales						
Opening stock	131,361	21,600	121,109	108,359	252,470	129,959
Cost of goods manufactured	13,361,855	8,591,086	-	-	13,361,855	8,591,086
Purchases	-	-	758,627	444,367	758,627	444,367
Closing stock	(276,086)	(111,818)	(212,234)	(133,887)	(488,320)	(245,705)
	13,217,130	8,500,868	667,502	418,839	13,884,632	8,919,707
Gross profit	1,752,948	1,216,977	181,170	113,400	1,934,118	1,330,377
Administrative & selling expenses	262,229	198,218	15,275	11,246	277,504	209,464
Other charges	6,935	7,840	393	429	7,328	8,269
	269,164	206,058	15,668	11,675	284,832	217,733
Operating profit	1,483,784	1,010,919	165,502	101,725	1,649,286	1,112,644

Note	Manufacturing		Trading		Total	
	Quarter Ended		Quarter Ended		Quarter Ended	
	March 31, 2004	2003	March 31, 2004	2003	March 31, 2004	2003
	(Rupees in '000)					
Sales	5,581,799	4,034,056	299,929	171,312	5,881,728	4,205,368
Commission	166,855	122,311	2,400	1,460	169,255	123,771
Discounts	-	5	1,445	-	1,445	5
Net sales	5,414,944	3,911,740	296,084	169,852	5,711,028	4,081,592
Cost of sales						
Opening stock	427,100	255,457	160,126	101,446	587,226	356,903
Cost of goods manufactured	4,749,642	3,226,150	-	-	4,749,642	3,226,150
Purchases	-	-	294,154	162,961	294,154	162,961
Closing stock	(276,086)	(111,818)	(212,234)	(133,887)	(488,320)	(245,705)
	4,900,656	3,369,789	242,046	130,520	5,142,702	3,500,309
Gross profit	514,288	541,951	54,038	39,332	568,326	581,283
Administrative & selling expenses	90,708	77,150	5,056	3,508	95,764	80,658
Other charges	2,817	2,604	155	103	2,972	2,707
	93,525	79,754	5,211	3,611	98,736	83,365
Operating profit	420,763	462,197	48,827	35,721	469,590	497,918

11.1 Cost of goods manufactured:

	Nine Months Ended		Quarter Ended	
	March 31,		March 31,	
	2004	2003	2004	2003
	(Rs. in '000)			
Raw materials and vendor parts consumed	12,699,625	8,019,245	4,632,234	3,004,348
Stores and spares consumed	282,701	191,895	103,361	62,459
Salaries wages and other benefits	81,044	64,413	29,151	22,803
Repair and maintenance	36,448	27,364	13,653	10,498
Depreciation	176,634	143,749	53,397	48,036
Travelling	6,479	4,353	1,255	1,242
Insurance	12,909	7,720	3,855	2,571
Vehicle running expense	2,910	4,012	921	1,936
Communication	2,519	1,946	966	458
Printing and stationery	2,165	1,269	966	346
Utilities	66,595	42,705	21,558	15,646
Running Royalty	157,958	79,937	49,116	30,583
Technical Fee	10,728	7,585	3,174	1,706
Miscellaneous	3,373	899	1,469	146
	842,463	577,847	282,842	198,430
Add: Opening work-in-process	89,883	72,731	104,682	102,109
Less: Closing work-in-process	270,116	78,737	270,116	78,737
	13,361,855	8,591,086	4,749,642	3,226,150

	Nine Months Ended		Quarter Ended	
	March 31,		March 31,	
	2004	2003	2004	2003
	(Rs. in '000)			
12. OTHER INCOME				
Return on short term investments	53,837	121,305	-	70,904
Return on bank deposits	80,463	72,550	48,587	-
Agency commission	34,632	109,764	4,661	106,153
Others	6,475	5,834	950	2,187
	175,407	309,453	54,198	179,244
13. FINANCIAL CHARGES				
Mark-up on advances from customers and dealers	26,672	63,705	13,286	14,385
Bank charges	11,298	6,246	3,534	2,816
Interest on WPPF	5,722	1,500	5,722	1,500
Unrealised loss on remeasurement of creditors	21,673	(659)	6,565	(4,526)
Unrealised gain on remeasurement of forward foreign exchange contracts	(21,673)	659	(6,565)	4,526
	43,692	71,451	22,542	18,701
14. TAXATION				
Current	630,419	492,708	182,388	241,443
Deferred	(51,251)	(37,008)	(16,050)	(12,336)
	579,168	455,700	166,338	229,107
15. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES				
Aggregate amounts in respect of:				
Purchases	8,789,913	5,928,306	2,820,373	2,858,855
Insurance premium	59,889	-	17,198	-
Agency commission	38,273	103,108	4,277	97,657
Running royalty	159,391	80,698	49,745	30,891
Technical fee	10,728	7,585	3,174	1,706
Share registrar's fee, charges and other services	1,220	1,350	295	450

Transactions with associated undertakings are made under normal commercial terms and conditions.

16. DATE OF AUTHORISATION OF ISSUE

These financial statements were authorised for issue on April 21, 2004 by the Board of Directors of the company.

17. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Mazhar Valjee
Chief Executive Officer

Yutaka Arae
Vice Chairman

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Ali S. Habib	Chairman
Mr. Yutaka Arae	Vice Chairman
Mr. Mazhar Valjee	Chief Executive Officer
Mr. Farhad Zulficar	Director
Mr. Mohamedali R. Habib	Director
Mr. Akira Okabe	Director
Mr. Kiyoshi Furubayashi	Director
Mr. M. Ilyas Suri	Director

COMPANY SECRETARY

Mr. Qaiser Pervaiz

Auditors:

M/s. Ford Rhodes Sidat Hyder & Co.,
Chartered Accountants,
Progressive Plaza,
Beaumont Road,
P.O. Box: 15541, Karachi.

Registrar:

M/s. Noble Computer Services (Pvt.) Ltd.
14, Bangalore Town Housing Society,
Main Shahrah-e-Faisal, Karachi.

Legal Advisors:

M/s. A. K. Brohi & Co.
M/s. Mansoor Ahmed Khan & Co.
M/s. Mahmud & Co.
M/s. Sayeed & Sayeed Co.

Factory Site:

Plot No. NWZ/1/P-1,
Port Qasim Industrial Estate,
Bin Qasim, Karachi.

Registered Office:

14, Bangalore Town Housing Society,
Main Shahrah-e-Faisal, Karachi.

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